

VZCZCXRO3706
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHRN RUEHROV
DE RUEHTL #0071/01 0521311
ZNR UUUUU ZZH
R 211311Z FEB 08
FM AMEMBASSY TALLINN
TO RUEHC/SECSTATE WASHDC 0509
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHSS/OECD POSTS COLLECTIVE
RUEHTV/AMEMBASSY TEL AVIV 0062
RUEHSG/AMEMBASSY SANTIAGO 0010
RUEHMO/AMEMBASSY MOSCOW 2575

UNCLAS SECTION 01 OF 02 TALLINN 000071

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E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [BEXP](#) [ELAB](#) [OECD](#) [EN](#)

SUBJECT: OECD SEC-GEN GURRIA COMES TO ESTONIA

REF: A) 07 TALLINN 128
B) 07 TALLINN 567

11. (SBU) Summary: During his first official visit to Estonia February 11-12, OECD Secretary General Angel Gurria urged the Government of Estonia (GOE) to address labor market inflexibility, but said the country will likely accede to the OECD by 2010. The GOE hopes that membership will bring access to the OECD's expertise on many economic issues; insight and a voice in forming its influential policies; and greater cooperation on development assistance. Gurria praised Estonia's reputation as a rapid reformer, and its high-tech economy. The MFA aims to submit its Initial Memorandum to the OECD ahead of the June 2008 Ministerial. Following OECD accession, Estonia will seek U.S. support for membership in the International Energy Agency (IEA). End Summary.

Estonia on Track, But Needs to "Run Faster"

12. (SBU) Secretary General Gurria visited Tallinn February 11-12 to discuss Estonia's accession to the OECD. Gurria met with President Toomas Hendrik Ilves, Prime Minister Andrus Ansip, Foreign Minister Urmas Paet, and Speaker of the Parliament Ene Ergma. He also spoke on innovation policy and economic development at the Tallinn University of Technology. Gurria told the GOE Estonia will likely accede to the OECD "faster than Mexico did", perhaps as early as late 2009. He urged Estonia to address issues of inflexibility in the labor market, linking this to Estonia's competitiveness in the global economy. "When everyone else is running and you are walking fast, you will not be fast enough," he said. Although Estonia is already an observer on six of the OECD's standing committees, the Secretary General invited Estonia to increase their level of involvement even before formal accession. The MFA confirmed to us that it has received several invitations from other committees to participate at a working level.

Next Step: Submit Initial Memorandum by June Ministerial

13. (SBU) The MFA's goal is to submit Estonia's Initial Memorandum to the OECD ahead of the June 17-18 Ministerial in Seoul on The Future of the Internet Economy. While in Tallinn, SG Gurria extended an invitation for Estonia's Ministers of Finance, Economy

and Foreign Affairs to attend this event. He stressed that the GOE does not need to rush to complete the Initial Memorandum by June, adding that submission of a high-quality document was more important than speed. (Note: The MFA told us it intends to meet the June date, so that the OECD's discussion of Estonian accession is not delayed. The next general session of the OECD is not until early 2009. End Note.) Once the memorandum is submitted, the OECD will undertake visits by working-level specialists and experts to Estonia. Following OECD accession, the MFA told us, Estonia plans to seek U.S. support for membership in the International Energy Agency (IEA).

GOE's hopes for Membership: Looking Behind the Curtain

14. (SBU) Aside from the prestige associated with being part of the OECD, the MFA sees three key benefits in membership:

- increased access to OECD expertise on a wide range of economic and fiscal matters;
- insight into and the opportunity to participate in OECD policy formation, including the legal concepts relevant to cyber-security, which is of great interest to Estonia;
- greater involvement in the principles of development cooperation that are followed by all donor states, including the EU.

The GOE does not plan to join the Development Assistance

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Committee (DAC), but it does hope to coordinate assistance more closely with other member states. To that end, Estonia already contributes significant assistance and training in Georgia, Moldova, Ukraine and Kosovo.

What the OECD Can Gain from Estonia

15. (U) Secretary General Gurria told his GOE interlocutors that the OECD expects to benefit in several ways from Estonia's membership. He lauded the country's rapid transition from a centrally planned Soviet economy to a dynamic, free market, hi-tech country. Few current OECD members have this kind of knowledge and experience in their history, he said, and they will benefit from Estonian expertise. He acknowledged that Estonia is well-known for its high level of IT and technology, notably e-Government and e-voting, and its simple tax policy.

Keeping Up With the Joneses...and the Slovenes

16. (SBU) Unlike fellow OECD aspirant countries Slovenia, Israel and Chile, Estonia does not have anyone posted at the OECD in Paris. For the time being, the MFA has chosen to manage the process from Tallinn, through their mission to France. The MFA is also not actively coordinating its accession efforts with the other candidate countries. However, the MFA's overall coordinator for OECD accession, Undersecretary of Economic and Development Affairs Mart Laanemae, will meet with his counterpart in Slovenia when he travels to Ljubljana later this spring for EU meetings. According to the MFA, SG Gurria said that the fifth OECD candidate, Russia, will first have to get into the WTO, and "there will be some problems there." On the complexity of OECD accession overall, the MFA commented

to us that it believes the OECD process will be more "political" as compared to EU and WTO accession, which were more "technical."

17. (SBU) Comment: Estonia is well placed to join the OECD in the stated 18 to 24 month time frame, and should have no trouble demonstrating its qualifications for membership (Ref B). Nevertheless, it does not appear to us that MFA is far along the path yet to completing its Initial Memorandum ahead of the June OECD Ministerial, as is their stated goal. Estonia has a strong reputation for 'following the rules' which should serve them well in this process. MFA's coordinating team has many veterans of Estonia's EU and WTO accessions, and their assessment of gains and contributions to be had from membership appears to be a realistic view of what Estonia can expect from the OECD. End Comment.

PHILLIPS